ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

1985 ANNUAL REPORT

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ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

1985 ANNUAL REPORT

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2 BLOOR STREET WEST (27TH FLOOR), TORONTO, ONTARIO M4W 3E2. (416) 926-2400

April 24, 1986

The Honourable Robert Nixon
Treasurer of Ontario and
Minister of Economics
Frost Building South
7 Queen's Park Crescent
Toronto, Ontario
M7A 1Y7

Dear Mr. Nixon,

I am pleased to present to you the Annual Report of the Ontario Municipal Employees Retirement Board for the year ended December 31, 1985 in accordance with subsection 4(8) of the Ontario Municipal Employees Retirement Systems Act.

At the end of 1985 monthly pensions were paid to 30,881 retired members or their beneficiaries, contributions were received from 135,098 members and 1,063 participating employers. Invested assets at book value totalled $6.274 billion with $1.293 billion invested in special debentures of the Province of Ontario and $4.980 billion invested in capital market securities with a market value of $5.798 billion.

An actuarial valuation of the Fund on January 1, 1985 showed a surplus position of $227 million with the current member and employer contribution rates sufficient to fund the accumulation of pension benefits in the foreseeable future.

OMERS is managed and administered by the Board on behalf of the many thousands of active and retired employees of local governments in Ontario and the stewardship of this important aspect of their retirement income is a rewarding and challenging experience for each member of the Board.

The accompanying report is respectfully submitted to you.

Yours truly,

S. Dobbin

Samuel P. Dobbin
Chairman of the Board

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ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

as at December 31, 1985

Mr. S. P. Dobbin, Chairman
Stationary Engineer
Toronto Board of Education

Mr. M. Scott, Vice Chairman
Mayor
Township of Lake of Bays

Mr. C. M. Beckstead
Chief Administrative Officer
City of Nepean

Mr. E. W. Mathews
Reeve
Sidney Township

Mr. C. R. Bernardi
Director of Personnel
and Labour Relations
City of Sault Ste. Marie

Mr. D. S. McColl
Assistant Deputy Minister
Ministry of Treasury
and Economics

Mr. G. E. Boyce
Superintendent —
Business Administration
Sudbury Board of Education

Mr. A. J. Roberts
Consumer Relations Representative
St. Catharines Hydro Electric
Commission

Mr. P. R. Burke
Firefighter
City of Windsor

Mrs. J. A. Newman resigned July, 1985 and
Mr. R. F. Bevan retired September, 1985

INVESTMENT POLICY COMMITTEE OF THE BOARD
as at December 31, 1985

Mr. R. M. MacIntosh, Chairman
Canadian Bankers' Association

Mr. J. C. C. Wansbrough, Vice-Chairman
The National Victoria and Grey Trust Company

Mr. H. M. Cunningham
Cockfield, Cooper, Cunningham
Investment Counsel Inc.

Mr. N. J. Short
Guardian Capital Group Limited

Mr. Sam Dobbin
Chairman of the Board

Mr. C. M. Beckstead
Member of the Board

Mr. E. W. Matthews
Member of the Board

Mr. A. W. Reeve
Executive Director

Mr. P. L. Baxter
Director of Investments

ADVISORS TO THE BOARD

Mr. R. A. Field, F.C.I.A.
The Wyatt Company
Actuary

Dr. Alexander Roberts
Medical Advisor

Mr. Maurice Coombs
Osler, Hoskin & Harcourt
Legal Advisor

Coopers & Lybrand
Auditors

SENIOR STAFF

Mr. A. W. Reeve
Executive Director

Mr. P. L. Baxter
Director of Investments

Mr. G. A. Tyson
Director of Pension
Administration

Mr. C. Massouras
Director of Finance
and Administration

COMPOSITION OF THE BOARD

Employee Representatives:
Messrs. Burke, Dobbin, and Roberts

"Officer" Employee Representatives:
Messrs. Beckstead, Bernardi, and Boyce

Elected Representatives:
Messrs. Matthews and Scott

Provincial Official:
Mr. McColl

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

1985 Annual Report

INTRODUCTION

1985 marks the twenty-third year of operation for the Ontario Municipal Employees Retirement System (OMERS) and the eighteenth year that the responsibility for the management and administration of OMERS has been vested in a board appointed by the Lieutenant Governor in Council.

In addition to responsibilities for the basic OMERS benefits and supplementary benefits, the Board, under agreement and for a fee, manages the pension plans of Ryerson Polytechnical Institute, the Colleges of Applied Arts and Technology, the Caucus Employees of the Legislature and a special guarantee fund related to electrical utility restructuring.

This report covers the main activities of 1985 and, through schedules, provides historical data. Also included are the audited financial statements and details of the actuarial valuation of the Fund.

MAJOR ACTIVITIES – 1985

There were no changes to the OMERS Act in 1985 but there were two amendments to the regulations under the Act as follows:

- A 4% increase to pensions under payment as at July 1, 1985 for persons receiving a pension on December 1, 1984 and higher pro-rata increases for pensions which commenced during 1984 prior to December 1. A 4% increase was also granted to deferred pensioners as at December 31, 1985 if the member became entitled to the deferred pension on or before December 31, 1984.

- Also during 1985, the Board reviewed and made several recommendations on improved benefits under OMERS to the Treasurer of Ontario. The Treasurer agreed to meet with the Board on these improved benefit recommendations and other matters as soon as possible in 1986.

- In February of 1985, the Board held its regular monthly meeting in the City of Nepean and the September Board meeting was held in the City of Sarnia. In conjunction with these meetings, the Board met with representatives of members and employers, presented information about OMERS and discussed various aspects of the benefits and operations of OMERS that were of interest to those attending the meetings. In addition, the Board held ten monthly meetings in Toronto.

- The Board issued the "OMERS UPDATE" in February, July and December. The goal of this publication is to keep members and employers aware of the Board's activities during the year.

- At the March Board meeting, representatives of the Provincial Federation of Ontario Fire Fighters, the Canadian Union of Public Employees (Ontario Division) and the Police Association of Ontario appeared before the Board and presented separate briefs, dealing mainly with the improvement of certain benefits under OMERS. The Board reviewed these Briefs with the representatives at the meeting and subsequently informed the organizations of its views on these matters in writing.

- A participating employer brought an application for judicial review of the provisions of the regulation related to the 1983 changes to supplementary agreements providing unreduced early retirement after thirty years of service. The Divisional Court found in favour of the participating employer. The Board sought and obtained leave to appeal to the Court of Appeal from this decision.

- In 1985, the Board changed the method of approval with respect to recommendations on action items by the Investment Policy Committee. Prior to 1985, certain action items were approved by the Investment Policy Committee but not by the Board. Now all action items that are recommended at an Investment Policy Committee meeting are approved by the Board before becoming effective. Such action items include changes to the asset mix, quarterly investment programs, and major investment items.

PENSION PROGRAM

At the end of 1985 there were 504 municipalities, 133 school boards and 426 other local boards participating in OMERS for a total of 1,063 participating employers, an increase of 11 employers in 1985.

There are 135,098 contributing members to the System. Just over half are employees of municipalities, one quarter are employees of school boards and the remainder are employees of other local boards. Two out of every five members are female and one in seven members is a policeman or fireman with a normal retirement age of 60 years.

OMERS represents a pooling of large and small municipal employers. This pool provides a reasonable level of pension benefits at stable and reasonable contribution rates. This feature of OMERS is emphasized by the fact that one half of the participating employers have fewer than 25 employees who are members of the System. In fact, the average is 9 members each. At the other extreme, 59% of the membership is employed by 62 employers with an average of 1,307 members.

Membership activity in 1985 was as follows:

Contributing Members, January 1, 1985		130,445
Members enrolled		14,694
		145,139
Terminated members electing a:		
refund of contributions	5,182	
deferred pension	414	
transfer within OMERS	506	
transfer to another plan	77	
Disabled members electing a waiver	813	
Death of contributing members	276	
Retirements	2,773	10,041
Contributing members, December 31, 1985		135,098

Pensioners, January 1, 1985		28,151
Additions from:		
active members	2,451	
deferred pensions	228	
disability waivers	246	
spousal pensions:		
death of contributing members	186	
death of pensioners	443	
recommencement to remarried spouses	25	
unsettled claims	105	3,684
		31,835
Deletions from:		
death of pensioners	921	
suspended pensioners	11	
cessation of children's pensions	22	954
Pensioners, December 31, 1985		30,881

$108.1 million was paid to pensioners in 1985, an increase of 25% over the amount paid in the previous year. The following is a summary of the types of pensions being paid by OMERS:

Normal retirement	16,358
Early retirement	5,719
Disability retirement	1,843
Spousal	6,861
Children's	100
	30,881

At the end of 1985, there were 3,805 members who had terminated their service and elected a deferred pension. During the year, 414 members elected a deferred pension on termination of service, 48 members re-enrolled in the system and 347 elected numerous other benefits.

On December 31, 1985, there were 7,438 members of OMERS with full past service coverage and 985 members with partial past service coverage. In addition, 12,101 members with a normal retirement age of 60 years were provided a special early retirement benefit after 30 years of service. These members were covered under sixty-two continuing supplementary agreements.

The Board has the Actuary undertake an actuarial valuation of the Fund to monitor the financing of OMERS. The latest valuation was prepared with member data as at January 1, 1985. The following table shows the results and comparable data for the valuation undertaken one year earlier.

($ Millions)	Actuarial Valuation Results As at January 1	
Actuarial Liabilities	1985	1984
Present Value of:		
Pensions under payment	$ 969.3	$ 723.5
Vested deferred benefits	32.1	25.4
Benefits for present contributors and their survivors	3,750.6	3,329.5
Additional voluntary contribution liability	.7	.7
Total Liabilities	4,752.7	4,079.1
Fund assets at January 1	4,980.0	4,188.1
ACTUARIAL SURPLUS	$ 227.3	$ 109.0

The 1985 results are based on actuarial assumptions that assume salary increases of 8% per year, Fund earnings of 7% per year to the retirement of a member and 6% thereafter. The yearly Maximum Pensionable Earnings used in 1986 under the Canada Pension Plan is the actual rate of $25,800 and it is assumed that future increases will be 5% commencing in 1987.

The valuations are based on an actuarial method referred to as the "unit credit cost method" which is the minimum funding requirement under the Pension Benefits Act (Ontario). The present value of liabilities for present contributing members and their survivors of $3,750,577,000 is based on the credited service of each member to January 1, 1985 and on earnings at that date projected to normal retirement.

Based on the above results, OMERS continued to be fully funded. Current member and employer contribution rates appear sufficient to fund the accrual of future benefits of members and the System continues to operate in a sound financial condition.

INVESTMENT PROGRAM

An important aspect of the financial stability of a pension plan is the growth of invested assets through investment income received or appreciation in the market value. OMERS looks to the investment program to provide the growth in value of invested assets to meet the increasing actuarial liabilities resulting from longer periods of service of members in the plan and their earning increases over time.

The Board is responsible for the investment of available funds of the basic OMERS plan, the remaining supplementary benefits and the four managed plans. These investments are pooled and the figures presented in this section apply to the total pool of assets. At the end of 1985 the invested assets of OMERS were as follows:

($ Millions)	Investments as at December 31, 1985			
	Market Value		Book Value	
Marketable Securities	$5,798	83%	$4,981	79%
Special Provincial Debentures	1,171*	17%	1,293	21%
Total Investments	$6,969		$6,274	

*Estimated by OMERS

A key decision required for the investment of pension funds is the percentage or share of funds to be invested in different classes of investments. The two main asset classes are debt investments and equity investments and there are sub-classes within these main classes. The Board has adopted an overall asset mix policy on the recommendation of the Investment Policy Committee of the Board and the advice of Staff. The objective of the asset mix policy over time is to provide a reasonable expectation of asset value growth to meet the future estimated liabilities with a low risk of falling short. The current asset mix policy, with percentages based on market values, is compared below to the actual position as at December 31, 1985.

	Asset Mix Policy			
	Policy Range			Actual
Class of Asset	High	Mid	Low	31/12/85
Short Term	25%	0%	0%	2.3%
Debt Investments:				
Bonds	45%	25%	15%	23.6%
Term Loans	5	3	2	2.0
Mortgages	45	22	13	21.3
	60%	50%	30%	46.9%
Equity Investments:				
Common Stock	60%	42.5%	26%	43.3%
Real Estate	10	5.0	2	5.1
Venture Capital & Other	3	2.5	2	2.4
	60%	50%	30%	50.8%
		100%		100%

During 1985 funds invested in capital market securities grew from $4,302 million to $5,798 million at market value, an increase of 35%. This change is the result of new cash flow from member and employer contributions, investment income and realized and unrealized capital gains. In summary by asset class, the changes in market value in 1985 are as follows:

MARKET VALUE CHANGE IN 1985

($ Millions)

Asset Class	Market Value 31/12/84	Cash Flow 1985	Capital Gains (Losses) Realized	Capital Gains (Losses) Unrealized	Market Value 31/12/85
Short Term	$ 128	$ 4			$ 132
Bonds	1,068	200	$ 3	$ 95	1,366
Term Loans	85	29			114
Mortgages	964	184		76	1,224
Common Stock	1,720	475	143	179	2,517
Real Estate	258	39	1	7	305
Venture Capital and Other	79	61			140
Total	$4,302	$992	$147	$ 357	$5,798

The table below shows the annual rate of return for the last five years for the marketable securities and total investments (the combined marketable securities and special Provincial debentures). These rates of return are based on the realized and unrealized gains and income re-invested but excluding pension contribution cash flows.

Annual Rates of Return

Year	Capital Market Securities	Total Investments
1985	23.5%	23.9%
1984	9.5	11.0
1983	20.4	15.7
1982	25.1	33.1
1981	3.5	(0.6)
5 year period 1981-1985	16.1	16.0

During the five year period, the Consumer Price Index increased at an annual rate of 6.8%. The annual real rate of return (rate of return less CPI) for the five year period 1981 to 1985 was 9.3% for the capital market security portion and 9.2% for total investments. Also, a private pension fund performance measurement service has indicated that the annual rate of return for the average fund for the five year period 1981 to 1985 was 14.8%.

These rates of return are measured from the market value of investments and include unrealized capital gains and should not be confused with the annual rate of return based on the investments at cost and reported on schedule 1. The return on investments (shown on schedule 1) is used to determine increases to pensions each year.

The Canadian economy put in a solid performance in 1985, expanding 4.5% in real terms — double the growth rate recorded in the United States. At the same time, inflation remained under control, averaging 4% for the year, and interest rates continued their downward trend. The yield on long term Government of Canada bonds fell to 10.1% by December 31, 1985, compared with 11.7% a year earlier and the closely-watched chartered bank prime lending rate fell to 10.0% from 11.25%. Rates might have fallen even further, had the Canadian dollar not continued its 10 year slide, coming to rest at 71.5 cents (U.S.) by year-end (down 4 cents from a year earlier). The steady improvement in economic conditions helped to generate some 370,000 new jobs in Canada, although the unemployment rate remained distressingly high: 10% at year end, compared with 10.8% a year earlier.

On the international front, there were three events which are expected to have major impacts on the world economy in 1986 and beyond. The first of those was a dramatic decline in the value of the U.S. dollar, which is expected to produce a restructuring of world trade flows and a general easing of protectionist sentiment in the United States. A second event was the passage of the Gramm-Rudman-Hollings amendment by the U.S. Congress, which promises to eliminate the federal deficit in five years time, thereby reducing upward pressure on interest rates. The third major event, beginning around the end of the year and gathering momentum in early 1986, was the slide in world oil prices, precipitated by the abrupt reversal of Saudi Arabian oil policy to protect their market share regardless of the price consequences. Lower oil prices will hurt Canadian oil producers and their creditors, and their problems should not be underestimated. However, in time, the Canadian economy will benefit from a substantial reduction in energy prices and inflation.

In considering economic policy, governments have found that their options are severely limited. In order to curb deficits, they have resorted to both tax increases and expenditure restraint. However, finance ministers are keenly aware that they tread a fine line and that too much emphasis on higher taxes could easily backfire by hamstringing the economy. Policy choices in future will become increasingly difficult.

The bond market in 1985 continued the pattern set by the previous year — a steady downward progress in interest rates (long term Canada bond yields reduced by 2%) but even greater volatility in prices. This type of market provides both opportunities and hazards for fixed income investing and we were pleased to be able to maintain a good level of return with net purchases of $200 million. Capital gains in excess of $2 million were realized and the lending of securities produced an increasing source of additional income.

The short term portfolio continued to provide a good level of income as well as the liquidity for other investment opportunities.

In 1985, the term lending portfolio increased in size from $85 to $114 million. This represents an increase of 34% or $29 million in invested funds over the prior year.

New mortgage commitments totalled $431 million during 1985 with $291 million insured by CMHC under the National Housing Act and the balance of $140 million in commercial properties.

Five year mortgage rates started the year at 12%, rose to 13% by March, and then gradually fell to 10¾% by year end. Spreads over bond sales, which were very narrow in the early part of 1985 due to aggressive bidding by institutional lenders, began to widen and by year end showed a 125 basis point premium.

The following table shows the distribution by market value of the equity portfolio:

($ Millions)	Equity Portfolio as at December 31	
	1985	1984
Canadian equities	$1,666.1	$1,139.8
U.S. equities	620.7	426.8
Global equities	229.7	152.8
	$2,516.5	$1,719.4

Stock markets in the U.S. and Canada achieved strong gains in the early part of 1985. Following March there was a period of consolidation in North American stock markets. The coordinated approach by the "Group of Five" to lower the value of the U.S. dollar in September brought about exceedingly strong markets on a world wide basis. This resulted in most stock markets achieving gains of well over 25% in 1985, most of the gain being achieved in the fourth quarter. Because of the heavy orientation of the TSE 300 index towards resource related issues, the Canadian stock market was one of the weakest performers on a world-wide basis. Stock market weakness in the resource sector, however, allowed OMERS to find investments at attractive values. Interest sensitive stocks were reduced during the year. Stock lending was somewhat hampered during 1985 by a lack of demand from investment dealers. OMERS was more active, however, in writing covered calls during the year. Realized gains on equities amounted to $143 million during 1985 compared with $86 million in 1984.

The Venture Capital and Other portfolio consists of oil and gas investments, venture capital investments and private equity placements. In 1985, this segment of the portfolio increased from $79 to $140 million, an increase of $61 million or 77%.

In 1985, the Real Estate portfolio increased in size from $291 to $303 million in invested and committed money, representing an increase of $12 million or 4.1% over the total at the end of 1984. The following table shows the change in the Real Estate portfolio cost and market values of invested money between 1984 and 1985.

($ Millions)	Real Estate Portfolio as at December 31			
	1985		1984	
	Cost	Market	Cost	Market
Invested Money	$275	$305	$237	$258
Outstanding Commitments	28	28	54	54
Total	$303	$333	$291	$312

Investment activity in 1985 was split between the Constitution Square development project in Ottawa and a number of smaller projects through several real estate investment vehicles.

FINANCE AND ADMINISTRATION PROGRAM

The administration of OMERS includes pension administration for the basic plan, the remaining supplementary benefit program and the four plans managed by the Board under agreement, which are separate and distinct from OMERS. The Board receives management fees for the supplementary benefit program and the managed plans and these fees amounted to $565,000 in 1985 as compared to $505,000 in 1984.

Some important financial highlights for 1985 are as follows:

- member contributions to the basic plan including optional service amounts were 202.5 million, an increase of 6.4% over 1984
- employer contributions to the basic plan matched those of members
- total investment income received in 1985 amounted to $651 million with $8 million credited to supplementary benefits, $74 million to managed plans and $569 million to the basic OMERS plan
- 62 supplementary agreements are still operative for members with a normal retirement age of 60 years and assets of $77 million are held for this purpose
- benefit payments in 1985 totalled $137 million with $108 million paid as monthly pensions to retired members or their beneficiaries and the balance paid as refunds to members terminating employment or transfers to other pension plans.

In addition to the administration aspects of the various pension programs, the Board is also responsible for the management and administration aspects of the investment program. The Board, with the assistance of advisors, has developed expenditure guidelines to ensure that administrative expenditures are controlled within a framework that allows the various growth elements to be managed prudently and properly.

The guidelines are as follows:

- 1% of member and employer contributions to the basic OMERS plan
- 1/10 of 1% of the year end amortized cost of the capital market security portion of the investment program
- management fees for supplementary benefits and the managed pension plans.

The following table compares total administrative expenditures to the expenditure guideline and the percentage column indicates the portion actual expenditures are of the guideline:

($ Thousands) Year	Actual Expenditures	Expenditure Guideline	Percentage
1985	$8,200	$8,614	95%
1984	6,117	8,302	74%
1983	5,289	7,208	73%
1982	4,362	6,613	66%
1981	3,472	5,431	64%
1980	2,856	4,382	65%

As would be expected in an administrative organization, 52% of the expenditures are related to compensation and a further 11% to consultants and advisors for such specialties as actuarial, medical, legal, audit and special investment needs. Accommodation and data processing require a further 19% of total expenditures.

The Board authorized a complement of 125 positions for 1985, an increase of 6 over the previous year. Much of the day to day administration of OMERS takes place in the offices of the 1063 participating employers and this is the first line of communication with members of the System. The Board is most appreciative of the dedicated work done by many municipal employees as well as by the staff of the System.

THE BOARD AND ITS ADVISORS

During 1985 two members vacated their positions on the Board — Mrs. Anne Newman resigned on July 19th and Mr. Ron Bevan retired on September 21st. These positions remain vacant.

Mr. Sam Dobbin replaced Mr. Grant Boyce as Chairman of the Board for 1985, and Mr. Malcolm Scott became Vice-Chairman. As the new Chairman of the Board, Mr. Dobbin automatically took Mr. Boyce's position on the Investment Policy Committee. He was joined on that committee by Messrs. Merv Beckstead and Ted Matthews as Board members, replacing Messrs. Roy Bernardi and Al Roberts.

Mr. R. A. Field of the Wyatt Company continued as the Board's actuary, and Mr. Purdy Crawford of Osler, Hoskin and Harcourt was replaced as the Board's legal advisor in mid-year by Mr. Maurice Coombs. Also in mid-year, Dr. Alexander Roberts replaced the late Dr. R. G. McKenzie as the Board's medical advisor. As such, Drs. McKenzie and Roberts examined each disability claim, maintained statistical data on the various types of disability, and reported periodically to the Board on this aspect of OMERS.

CONCLUSION

The Board is responsible for the sound management and administration of the System, the investment of funds in capital market securities, the study and promotion of improved pension benefits, the continuing financial well being of the Fund and all of the attendent administrative functions associated with the operation of a larger pension plan.

The Board is again pleased to report in 1985 that OMERS is in a sound financial position and should remain so in the foreseeable future. Benefit improvements continue to be studied and made. Member and employer contribution rates are sufficient to fund the future accumulation of pensions by the members.

The members of the Board operate OMERS on behalf of the thousands of active and retired members and their participating employers. The Board's objective is to ensure adequate retirement income at reasonable and stable costs. The 1985 results indicate a continuing progression towards this goal.

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

Balance Sheet

as at December 31, 1985

	1985 (000's)	1984 (000's)
Assets		
Investments (note 2)	$6,274,012	$5,281,849
Long term receivables (note 5)	142,553	108,084
Fixed assets (note 3)	764	249
Contributions receivable	38,229	37,542
Accounts receivable	551	506
Accrued income	55,879	63,691
	$6,511,988	$5,491,921
Reserves and Liabilities		
Reserves for:		
basic benefits (note 4)	$5,706,521	$4,814,414
supplementary benefits (note 5)	76,579	66,875
	$5,783,100	$4,881,289
Deposits from administered pension funds (note 6)	713,283	597,789
Accounts payable and accruals	15,575	12,814
Pension benefits payable	30	29
	$6,511,988	$5,491,921

Signed on behalf of the Board

_____ Member

_____ Member

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

Statement of the Reserves

for the year ended December 31, 1985

	Basic benefits reserve (000's)		Supplementary benefits reserve (000's)	
	1985	1984	1985	1984
Balance, beginning of year	$4,814,414	$4,070,275	$66,875	$64,594
Increases in Reserves				
Contributions of:				
• Members	$ 202,934	$ 192,503		
• Employers, current service	202,367	188,266	$ 4,127	$ 3,172
• Members, unfunded liabilities	6,115			
• Employers, unfunded liabilities (note 4)	41,064	8,748		
	$ 452,480	$ 389,517	$ 4,127	$ 3,172
Interest income on unfunded liabilitiies	12,132	12,581		
Income earned from investments	643,084	517,642	8,289	7,036
Administrative expenditures recovered from:				
• Supplementary benefits reserve	41	32		
• Administered pension funds (note 5)	524	473		
Transfer to basic benefits reserve from:				
• Supplementary benefits reserve	2,671	7,895		
Total Increases	$1,110,932	$ 928,140	$12,416	$10,208
Decreases in Reserves				
Members' pensions	$ 108,092	$ 86,858		
Members' contributions plus interest refunded	27,094	23,377		
Transfers to other pension plans	1,515	1,548		
Income credited to administered pension funds (note 5)	73,707	60,060		
Closing supplementary agreements	217	6,041		
Transfers to basic benefits reserve for:				
• Administrative expenses			$ 41	$ 32
• Pension present value			2,454	1,854
• Closing supplementary agreements			217	6,041
Administrative expenditures	8,200	6,117		
Total Decreases	$ 218,825	$ 184,001	$ 2,712	$ 7,927
Balance, end of year	$5,706,521	$4,814,414	$76,579	$66,875

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

Schedule of Administrative Expenditures

for the year ended December 31, 1985

	1985 (000's)	1984 (000's)
Personnel Services Including Employee Benefits		
Salaries of regular staff	$3,584	$3,045
Salaries of casual staff	200	119
Pensions	255	223
Employee benefits	272	232
	$4,311	$3,619
Transportation and Communication		
Travel	$ 189	$ 153
Telephone	154	144
Postage and express	105	96
	$ 448	$ 393
Purchase of Services		
Actuarial	$ 125	$ 152
Audit	84	61
Medical	23	15
Legal	283	121
Other professional	392	170
Recruitment and training	46	39
Office rental	746	727
Computer processing	796	234
Equipment maintenance	34	22
Insurance	6	4
Board's services	127	133
Research and information	153	70
	$2,815	$1,748
Materials and Supplies		
Furniture and equipment purchases	$ 134	$ 60
Supplies and stationery	178	140
Publications for members and employers	73	77
Office alterations	8	5
Amortization of leasehold improvements	83	75
Depreciation of fixed assets	150	
	$ 626	$ 357
Total Expenditures	$8,200	$6,117

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

Notes to the Financial Statements

for the year ended December 31, 1985

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

Investments are recorded in the accounts at cost. Gains or losses on their disposal are credited or charged to income. Income from investments is recorded on the accrual basis.

Contributions

Member and employer contributions received subsequent to the year-end, but which are applicable to the current year, are recorded as receivable.

Benefits

Payments for benefits are recorded in the year in which such payments are made.

Fixed Assets

Leasehold improvements and computer equipment are recorded at cost and are amortized and depreciated respectively on a straight line basis over 5 years.

2. INVESTMENTS

Investments as defined in section 8(4) and section 8(6) of The Ontario Municipal Employees Retirement System Act are subject to the limitations of the regulations of The Pension Benefits Act.

	1985 (000's)		1984 (000's)	
	Market Value	Cost	Market Value	Cost
Short Term Deposits	$ 131,907	$ 131,907	$ 128,166	$ 128,166
Bonds & Debentures	2,773,257	2,668,988	2,445,939	2,440,242
Mortgages	1,224,082	1,127,128	964,104	942,925
Equities	2,516,480	1,930,422	1,719,351	1,454,557
Real Estate	305,092	275,416	258,190	236,612
Venture Capital & Other	140,151	140,151	79,347	79,347
	$7,090,969	$6,274,012	$5,595,097	$5,281,849

Bonds and debentures include $1,293,025,000 (1984 – $1,293,025,000) of Province of Ontario debentures bearing a weighted average interest rate of 9.07% and maturing at various dates beginning on December 31, 1993 through to December 31, 2006.

Market value is quoted value for bonds, debentures, (excluding Ontario debentures) and equities.

Market value for Ontario debentures has been assumed to equal the cost as these debentures have no quoted market value. The values stated remain unchanged from those reported at December 31, 1984.

Market value for mortgages is computed based on market yields.

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

Notes to the Financial Statements

for the year ended December 31, 1985

2. INVESTMENTS (continued)

Market value for real estate is appraised value as provided by our property managers.

Market value for venture capital and other has been assumed to equal the cost due to the special nature of the investment.

3. FIXED ASSETS

	1985			1984
	Cost	Accumulated Depreciation & Amortization	Net	Net
	(000's)	(000's)	(000's)	(000's)
Leasehold improvements	$ 399	$233	$166	$249
Computer equipment	748	150	598	
	$1,147	$383	$764	$249

4. BASIC BENEFITS RESERVE

The basic benefits reserve is maintained for the payment of pensions to retired members or their beneficiaries and the future payment of pensions and benefits to contributing members and to terminated members who have elected a deferred pension.

The latest actuarial valuation of the Fund dated January 1, 1985 determined the total actuarial liabilities of the Fund for basic benefits to be $4,752,726,000 using the unit credit cost method. The adjusted book value of accumulated assets at that date was $4,979,972,000 resulting in an actuarial surplus of $227,246,000.

The results of the actuarial valuation projected to December 31, 1985, indicate that the existing levels of member and employer contributions are sufficient to meet the cost of benefits earned from January 1, 1985 to December 31, 1985.

5. SUPPLEMENTARY BENEFITS RESERVES

Under the terms of The Ontario Municipal Employees Retirement System Act various participating employers have entered into agreements with the Board for the provision of supplementary benefits. The supplementary reserves represent the net assets available for payment of benefits under the agreements. Each employer is responsible, individually, for the funding of such benefits.

Effective January 1, 1983 all assets and liabilities with respect to prior service agreements were transferred to the supplementary reserve. On the same date, the assets and liabilities of most supplementary agreements were then transferred to the basic OMERS plan.

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND

Notes to the Financial Statements

for the year ended December 31, 1985

5. SUPPLEMENTARY BENEFITS RESERVES (continued)

Where the assets transferred from the previous agreements were not sufficient to provide for the liabilities, the unfunded amounts were identified and are being paid off by the participating employers. Such unfunded liabilities are now recorded in the basic benefits reserve and are offset by a long term receivable from the participating employers, to be paid, with interest, over a period not to exceed 15 years. For any previous agreements where the assets were in excess of liabilities, the resulting surplus was refunded to the participating employers.

Supplementary agreements entered into by employers with the Board subsequent to January 1, 1983 are subject to a final determination of the actuarial liability for benefits under each agreement. The liabilities determined under each new supplementary agreement are recorded in the basic benefits reserve and are offset by a long-term receivable from the participating employers with repayment terms similar to those stated above.

6. ADMINISTERED PENSION FUNDS

The administered pension funds [which form part of the Fund and which are administered on behalf of the Ontario Council of Regents for Colleges of Applied Arts and Technology, the Ryerson Polytechnical Institute, the members of the Legislative Assembly as represented by the Board of Internal Economy (The Caucus Employees Retirement Fund) and the Minister of Energy for the Province of Ontario (The Ontario Hydro Guarantee Fund)] are credited with amounts which are equal to the income earned by the Fund from the investment of the monies deposited in the Fund by the administered pension funds. The Ontario Municipal Employees Retirement Board is authorized under the terms of the various management agreements to recover its expenses for administering the aforementioned plans.

7. COMMITMENTS

Total investment commitments outstanding at December 31, 1985 amounted to approximately $291 million of which $212 million relates to mortgages, $28 million to real estate, $14 million to bonds and debentures, and the remaining $37 million to venture capital and other.

The administration of the Fund is conducted on leased premises and the Fund has entered into a lease agreement which involves a minimum annual base rental of $765,928 to August 31, 1988.

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March 28, 1986

AUDITORS' REPORT TO THE
ONTARIO MUNICIPAL EMPLOYEES RETIREMENT BOARD

We have examined the balance sheet of the Ontario Municipal Employees Retirement Fund as at December 31, 1985, and the statement of the reserves for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1985 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

CHARTERED ACCOUNTANTS

THE *Wyatt* COMPANY

PENSION PLANS
EMPLOYEE BENEFITS
ADMINISTRATIVE SYSTEMS
INTERNATIONAL BENEFITS
RISK MANAGEMENT
COMPENSATION PROGRAMS
EMPLOYEE COMMUNICATIONS

ACTUARIES & CONSULTANTS

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HALIFAX MONTREAL
OTTAWA TORONTO
CALGARY VANCOUVER
AND
PRINCIPAL CITIES
AROUND THE WORLD

Actuarial Certificate at December 31, 1985

For The

Ontario Municipal Employees Retirement Board

The most recent actuarial valuation of the Ontario Municipal Employees Retirement System was conducted as at January 1, 1985 using the Unit Credit Actuarial Cost Method.

The results of the valuation disclosed total Actuarial Liabilities of $4,752.726 million in respect of benefits accrued for service prior to January 1, 1985. The Actuarial Value of Assets at that date was $4,979.972 million indicating an actuarial surplus or Funding Excess of $227.246 million.

The results of the valuation also indicated that the existing levels of employee and employer contributions are sufficient to meet the Normal Actuarial Cost of benefits to be earned each calendar year until the next actuarial valuation is performed.

We are of the opinion therefore, in accordance with generally accepted actuarial principles, that the assets of the Fund at December 31, 1985 are sufficient to meet all the liabilities of the Plan in respect of services rendered by members up to that date.

Respectfully submitted

THE WYATT COMPANY

Martin Brown

MARTIN J. K. BROWN, F.I.A.
Fellow, Canadian Institute of Actuaries

February 12, 1986

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND
5 Year Review of Financial Data — 1981 to 1985

($ Thousands)	1985	1984	1983	1982	1981
*Investments at Cost					
Provincial Debentures	$1,293,025	$1,293,025	$1,293,025	$1,293,025	$1,293,025
Marketable Securities	4,980,987	3,988,824	3,075,543	2,440,504	1,776,764
	$6,274,012	$5,281,849	$4,368,568	$3,733,529	$3,069,789
*Reserve for					
Basic Benefits	$5,706,521	$4,814,414	$4,070,275	$3,191,720	$2,604,125
Prior Service Agreements	—	—	—	4,361	4,714
Supplementary Benefit Agreements	76,579	66,875	64,594	190,304	176,539
Managed Plans	713,283	597,789	499,299	413,160	340,059
	$6,496,383	$5,479,078	$4,634,168	$3,799,545	$3,125,437
Investment Income Earned					
Basic Plan	$569,377	$457,582	$371,133	$298,605	$238,447
Prior Service Agreements	—	—	—	225	235
Supplementary Benefit Agreements	8,289	7,036	6,715	17,704	14,318
Managed Plans	73,707	60,060	47,192	39,341	31,479
	$651,373	$524,678	$425,040	$355,875	$284,479
Contributions Received for					
Basic Plan	$405,301	$380,769	$361,937	$336,368	$289,121
Basic Plan Unfunded Liabilities	53,196	21,329	134,315	—	—
Prior Service Agreements	—	—	—	32	32
Supplementary Benefit Agreements	4,127	3,172	4,069	41,504	37,507
	$462,624	$405,270	$500,321	$377,904	$326,660
Payments to Members					
Pensions Paid	$108,092	$ 86,858	$ 69,315	$ 55,304	$ 45,128
Contributions and Interest Refunded	27,094	23,377	26,115	16,064	21,676
Transfers to Other Plans	1,515	1,548	1,347	1,619	1,106
	$136,701	$111,783	$ 96,777	$ 72,987	$ 67,910
Administrative Expenditures and Recoveries					
Pension Program					
Gross	$ 3,573	$ 3,461	$ 2,959	$ 2,721	$ 2,399
Fee Recoveries	565	505	513	832	765
Net	$ 3,008	$ 2,956	2,446	$ 1,889	$ 1,634
Investment Program	4,627	2,656	2,330	1,641	1,073
	$ 7,635	$ 5,612	$ 4,776	$ 3,530	$ 2,707
Annual Return on Investments at Cost					
Provincial Debentures	9.07%	9.07%	9.07%	9.07%	9.07%
Marketable Securities	12.69%	12.40%	11.66%	12.13%	12.09%
Total Portfolio	11.83%	11.45%	10.80%	10.91%	10.63%

Unaudited figures

*the amount shown for each year as at December 31 is cumulative

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
5 Year Review of Selected Data — 1981 to 1985

	1985	1984	1983	1982	1981
*Employers					
Municipalities	504	493	490	491	489
School Boards	133	133	133	129	126
Other Local Boards	426	426	423	422	422
	1,063	1,052	1,046	1,042	1,037
*Members Contributing, Employed by					
Municipalities	69,469	67,024	65,588	64,510	63,280
School Boards	34,568	33,253	32,536	32,027	30,828
Other Local Boards	31,061	30,168	29,725	29,584	28,929
	135,098	130,445	127,849	126,121	123,037
*Members Contributing					
Female	52,880	50,005	48,287	46,924	44,827
Male	82,218	80,440	79,562	79,197	78,210
	135,098	130,445	127,849	126,121	123,037
*Normal Retirement Age 65	116,937	112,704	110,343	108,855	106,314
*Normal Retirement Age 60	18,161	17,741	17,506	17,266	16,723
	135,098	130,445	127,849	126,121	123,037
*Terminated Members Who Have Elected a Deferred Pension	3,805	3,786	3,721	3,710	3,326
*Number of Pensioners by Type of Pension					
Normal Retirement	16,358	15,218	14,386	13,442	12,540
Early Retirement	5,719	4,841	4,034	3,341	2,886
Disability Retirement	1,843	1,705	1,603	1,473	1,379
Spouses and Children	6,961	6,387	5,590	5,031	4,505
	30,881	28,151	25,613	23,287	21,310
*Total Membership Comprising Contributing Members, Deferred Pensions and Pensioners	169,784	162,382	157,183	153,118	147,673
Number of Members Enrolled Each Year	14,694	11,436	9,901	11,764	14,475
Number of Members Terminated Each Year	10,041	8,840	8,173	8,680	11,169
Net Increase in Membership	4,653	2,596	1,728	3,084	3,306

Unaudited figures

*Cumulative totals at year end

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
Summary of Historical Highlights

1962 — An Act establishing the Ontario Municipal Employees Retirement System was given Royal Assent on April 18th.

1963 — The first members of the System were enrolled on January 1st and the first contributions received one month later.

1965 — Amendments were made for the "locking-in" of contributions as required under the Pension Benefits Act.

After July 1, 1965 all persons engaged by a municipality or local board must participate in OMERS to receive pension benefits.

Provision was made for OMERS to manage and administer other pension plans.

1966 — The contributions and benefits were integrated with the contributions and benefits of the Canada Pension Plan.

Employees of electric utilities became members of OMERS for the first time.

1967 — The supplementary benefit program was introduced.

1968 — The eleven member Board was appointed by the Lieutenant Governor in Council on January 1.

The interest rate on the special Provincial debentures issued to OMERS at each year end was increased from 5% to 6½%.

The benefit formula was increased 10% from 2% of career earnings to 2.2% of career earnings.

1969 — A disabled widower was extended the same benefits as a widow on the death of a member.

1970 — The interest rate on the special Provincial debentures issued to the Board at each year end was changed from 6½% to the average borrowing costs of the Province during a year.

All basic pension benefits earned or payable on December 31, 1970 were increased by 10%.

1971 — All basic pension benefits earned or payable at December 31, 1971 were increased by 5%.

In addition to the 50% widows' and disabled widowers' pensions payable on the death of a member, a further pension of 10% for each child of the deceased member to a maximum of 25% was introduced.

1972 — Councillors became eligible for membership in the System.

All basic pension benefits earned or payable on December 31, 1972 were increased by 5%.

1973 — An employer could improve the pensions being paid to retired employees through the System.

Rates of interest on special Provincial debentures issued to the Board during the years 1963 to 1969 were retroactively adjusted.

All basic pension benefits earned or payable at December 31, 1973 were increased by 5%.

1974 — A portion of available funds could be invested in marketable securities under the provisions of the Pension Benefits Act commencing in 1975.

1975 — All basic pension benefits earned by active and deferred members as at December 31, 1975 were increased by 10%.

All pensions being paid to retired members on December 31, 1975 were increased by 10%.

A widower of a member became entitled to the same 50% pension as a widow on the death of a member.

Board authorized to invest a portion of funds in capital market securities.

1976 — Optional service, being service with another governmental employer or war service, was added to the supplementary benefit program.

1978 — Pension formula changed from 2.2% career average earnings basis to a 2% final average earnings basis.

All pensions being paid to retired members on December 31, 1977 were increased by 3% from March 1, 1978.

1979 — All available funds invested in capital market securities.

1980 — All pensions being paid to retired members on January 1, 1979 were increased by 4% from January 1, 1981.

1981 — Spousal benefits no longer cease on remarriage and the reduction in the spouse pension when the spouse is more than 10 years younger than spouse was eliminated.

1982 All pensions being paid to retired members on December 1, 1981 were increased 4% from July 1, 1982.

1983 All pensions being paid to retired members on December 1, 1982 were increased 4% from July 1, 1983. All vested deferred pensions were similarly increased plus a retroactive adjustment for increases granted to pensions in 1982, 1981, 1980 and 1978.

"90 Factor" unreduced early retirement pensions were introduced.

1984 — All pensions being paid to retired members on December 1, 1983 were increased 4% from July 1, 1984. All vested deferred pensions and all fixed amounts of pensions were similarly increased.

1985 — All pensions being paid to retired members on December 1, 1984 were increased 4% from July 1, 1985. All vested deferred pensions and all fixed amounts of pensions were similarly increased.

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

Summary of Benefits

as at December 31, 1985

Basic Benefits

Normal retirement at age 65 — except policemen and firemen who may retire at age 60.

The annual ***normal retirement pension*** payable to a member is 2% of pensionable earnings multiplied by years of credited service, reduced when the member becomes entitled to a pension under the Canada Pension Plan. In this formula:

"pensionable earnings" means the annual average of the 60 highest consecutive months of earnings;

"credited service" means service when contributions have been made, transferred in service and past service under a full Type 1 supplementary benefit;

"CPP reduction" means 0.7% of the annual average of the Year's Maximum Pensionable Earnings under the CPP in the year of retirement and the two preceding years times credited service since January 1, 1966.

A ***total disability retirement benefit*** for a disability that, in the first two years, renders a member incapable of performing the duties of his or her position and thereafter of any substantially gainful employment. The totally disabled member may continue to accrue credited service without contribution until normal retirement age or may elect a disability pension.

A ***pension for life to a widow or widower*** of one-half the member's pension plus 10% for each child under 21 years of age to a maximum of 25% and, where there is no widow or widower, a pension of one-half the member's pension to the child or children of the member under 21 years of age.

A ***deferred pension***, payable at normal retirement age, if a member ceases to be employed before his normal retirement date. The pension benefits earned by a member under the System vest immediately in the member.

An ***early retirement pension***, commencing within the 10 year period before normal retirement age payable without reduction if the age and service of the member totals 90 or more or reduced 5% per year.

A ***refund*** of the contributions of a member plus interest if the member terminates his employment, except if at termination the member has 10 years of continuous service with the employer and is over 45 years of age, then his contributions made after January 1, 1965 may not be refunded.

Portability of the credited service if a member transfers employment from one participating employer to another or to other governmental pension plans under special reciprocal transfer agreements.

Supplementary Benefits (provided by an agreement between a participating employer and OMERS)

Full Type 1 — Final Average Earnings, Past Service Pension

The full Type 1 provides for the service of a member before the member's employer participated in OMERS (past service) to become credited service in the basic plan and be fully portable within the System. Any pension earned under a previous pension plan for the same period of past service is deducted from the pension from OMERS.

Partial Type 1 — Final Average Earnings, Past Service Pension

The partial Type 1 provides a portion of a benefit based on 2% of final average earnings and service before the member's employer participated in OMERS (past service). Any pension earned under a previous pension plan for the same period of past service is deducted from the pension from OMERS.

Type 2 — Current Average Earnings, Past Service Pension

As of January 1, 1983 this type of supplementary benefit is no longer available although all existing agreements at the end of 1982 will continue to operate and member pension amounts are protected.

Type 3 — Unreduced Early Retirement Pension for Members with a Normal Retirement Age of 60 Years

The Type 3 benefit provides for payment of an unreduced pension if a member retires within 10 years of normal retirement date under the following conditions:

(a) completion of 30 or more years of service with the employer, or
(b) due to permanent partial disability as determined by the employer.

Type 3 — Unreduced Early Retirement Pension for Members with a Normal Retirement Age of 65 Years

The Type 3 benefit provides for payment of an unreduced pension only if a member retires within 10 years of normal retirement date due to permanent partial disability as determined by the employer.

Optional Service — The service of a member with another governmental employer or war service may be added to a Type 1 or Type 2 benefit and the member must contribute on a formula basis to be entitled to this service. This service becomes additional past service of the member.

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND
Summary of Marketable Securities
as at December 31, 1985

($ Thousands)

	Amortized Book Value	Percentage of Portfolio	Yield on Book Value	Estimated Market Value*
Short Term	$ 131,907	2.6%	9.45%	$ 131,907
Bonds				
Government – Canada	$ 478,677	9.6%	11.81%	$ 528,513
– Provincial	323,282	6.5	11.98	357,047
– Municipal	26,365	0.5	10.81	26,865
Corporate	433,835	8.7	12.02	454,003
Term Loans	113,804	2.3	12.73	113,804
Total Bonds	$1,375,963	27.6%	11.97%	$1,480,232
Mortgages				
Residential				
– Single Family	$ 9,443	0.2%	12.42%	$ 9,847
– Rental	899,975	18.1	13.02	965,620
– Condominium	445	0.0	13.52	461
Commercial				
– Rentals	2,059	0.0	13.69	2,412
– Office Buildings	120,383	2.4	12.64	134,701
– Shopping Centres	69,079	1.4	12.41	82,428
– Hotel	13,367	0.3	13.96	14,599
– Retail	3,905	0.1	12.23	4,163
– Industrial Buildings	8,472	0.2	13.58	9,851
Total Mortgages	$1,127,128	22.6%	12.96%	$1,224,082
Equities				
Canada				
Individual Stocks				
– Metals and Minerals	$158,287	3.2%	2.52%	$ 169,614
– Oil and Gas	319,671	6.4	2.14	316,936
– Paper and Forest Products	88,804	1.8	1.36	106,075
– Consumer Products	25,721	0.5	3.05	72,395
– Industrial Products	145,373	2.9	4.27	194,420
– Real Estate and Construction	64,014	1.3	2.15	79,834
– Transportation	42,618	0.9	3.89	64,708
– Pipelines	71,517	1.4	5.20	68,881
– Communications and Media	37,662	0.8	3.21	62,959
– Merchandising	36,511	0.7	2.47	59,625
– Financial Services	260,852	5.2	5.43	343,971
– Management Companies	39,498	0.8	3.80	52,966
Convertible Debentures	25,425	0.5	9.50	25,380
Mutual Funds	30,065	0.6	1.98	48,371
Total Canadian Equities	$1,346,018	27.0%	3.56%	$1,666,135

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT FUND
Summary of Marketable Securities as at December 31, 1985

($ Thousands)	Amortized Book Value	Percentage of Portfolio	Yield on Book Value	Estimated Market Value*
Equities (continued)				
Non-Canada (Canadian $)				
United States				
Individual Stocks				
— Machines	$ 15,060	0.3%	4.38%	$ 18,790
— Electrical	$ 6,147	0.1%	4.65%	$ 10,330
— Metals & Minerals	23,364	0.5	3.52	29,622
— Pollution Control	5,246	0.1	2.16	9,432
— Chemicals	6,237	0.1	4.20	6,206
— Diversified — Building	3,534	0.1	11.08	16,527
— Misc. & Diversified	14,123	0.3	3.70	18,570
— Technology	37,518	0.8	2.06	50,649
— Oil — International	22,236	0.4	7.56	24,764
— Oil — Domestic	7,177	0.1	7.69	11,622
— Oil Well Equipment	14,790	0.3	3.26	12,753
— Drugs	21,047	0.4	5.88	46,290
— Hospital Management	7,198	0.1	3.09	9,832
— Electrical Appliances	6,682	0.1	3.23	8,267
— Cosmetics	14,764	0.3	8.18	25,028
— Autos	8,793	0.2	6.15	8,754
— Food	4,552	0.1	10.53	16,058
— Photography	18,124	0.4	5.15	28,595
— Retailing	9,453	0.2	4.60	21,281
— Textiles	6,620	0.1	3.87	10,289
— Tobacco	1,241	0.0	10.37	1,331
— Banks	13,575	0.3	6.57	21,095
— Utilities	12,198	0.2	10.72	18,332
Mutual Funds	124,130	2.5	3.42	196,233
Global				
— Managed Funds	180,595	3.6	2.05	229,695
Total Non-Canadian Equities	$ 584,404	11.7%	3.19%	$ 850,345
Total Equities	$1,930,422	38.8%	3.45%	$2,516,480
Real Estate	275,416	5.5	8.70	305,092
Venture Capital & Other	140,151	2.8	1.00	140,151
Total Market Fund Investments	$4,980,987	100.0%	8.33%	$5,797,944

***Estimated Market Values**

Bonds:	Quoted values	Real Estate:	Appraised values
Mortgages:	Computed on current market yields	Venture Capital & Other:	Cost
Equities:	Quoted values		